

# Businesses & the Hidden Economy

## Business Survey Results

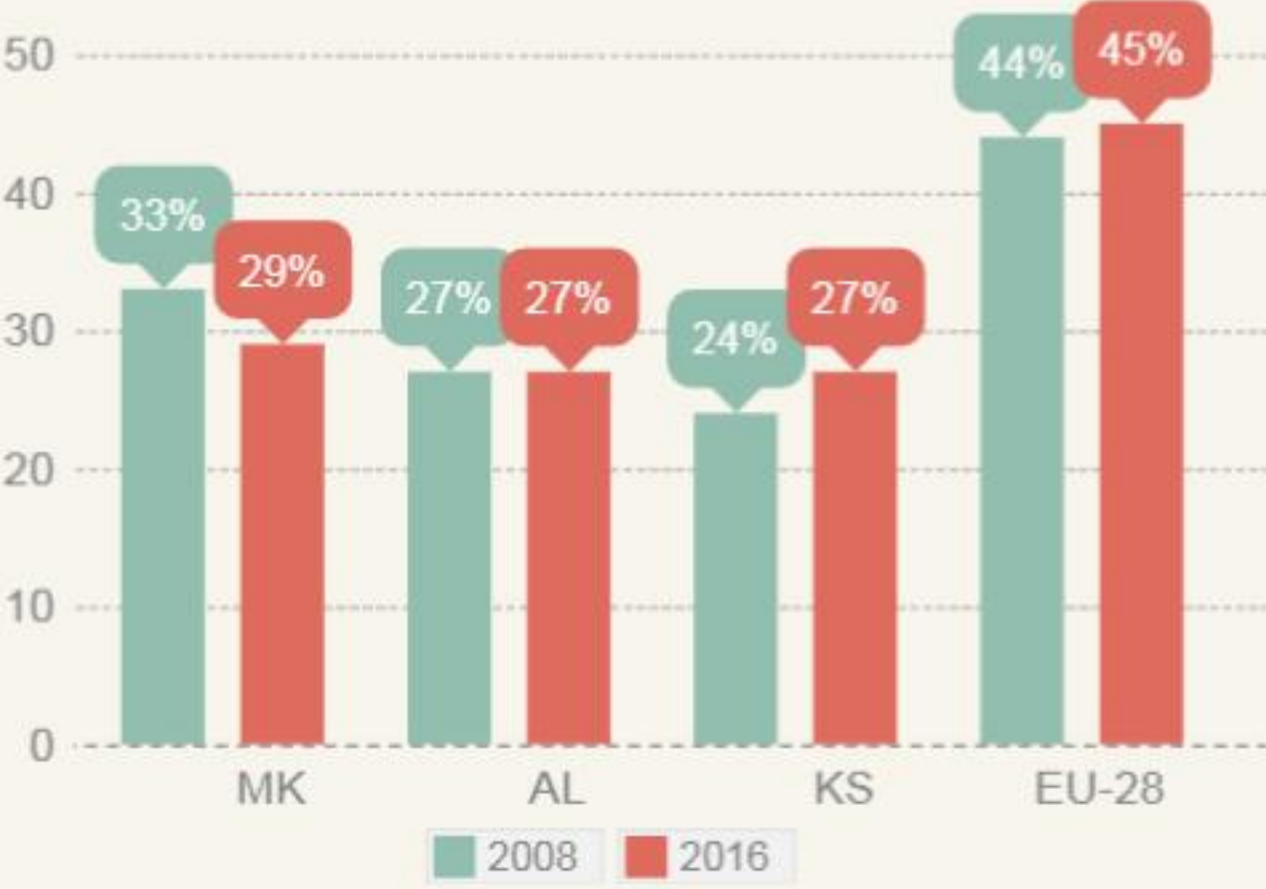
Infographic 3 (IG3) from the RHEM 2016 project



## Business Survey Results 2016



### Government revenues as % of GDP



Macedonian revenues to GDP are at 29% in 2016, Albanian and Kosovan at 27%. All much lower than the EU-28 average of 45% of GDP.

### 8 years without improvement in the revenues to GDP ratio

### 15-20% of GDP

is the amount of potential revenues Macedonia, Albania and Kosovo are Not gaining due to the structure of the economies but also due to different governance related inefficiencies which also include tax evasion and undeclared economic activity.

### Business satisfaction with the different tax rates in Macedonia in 2016 has dropped



### Compared to 2014

Whereas around 50% of businesses in Macedonia in 2014 stated that the tax rates for respective taxes were 'as high as they should be' - with a notable exception of the company tax and social security - in 2016 satisfaction has dropped to ...



30-35%

### Business satisfaction with the different tax rates in Albania is generally positive



Albanian businesses are not satisfied with



Profit tax (62.3%)



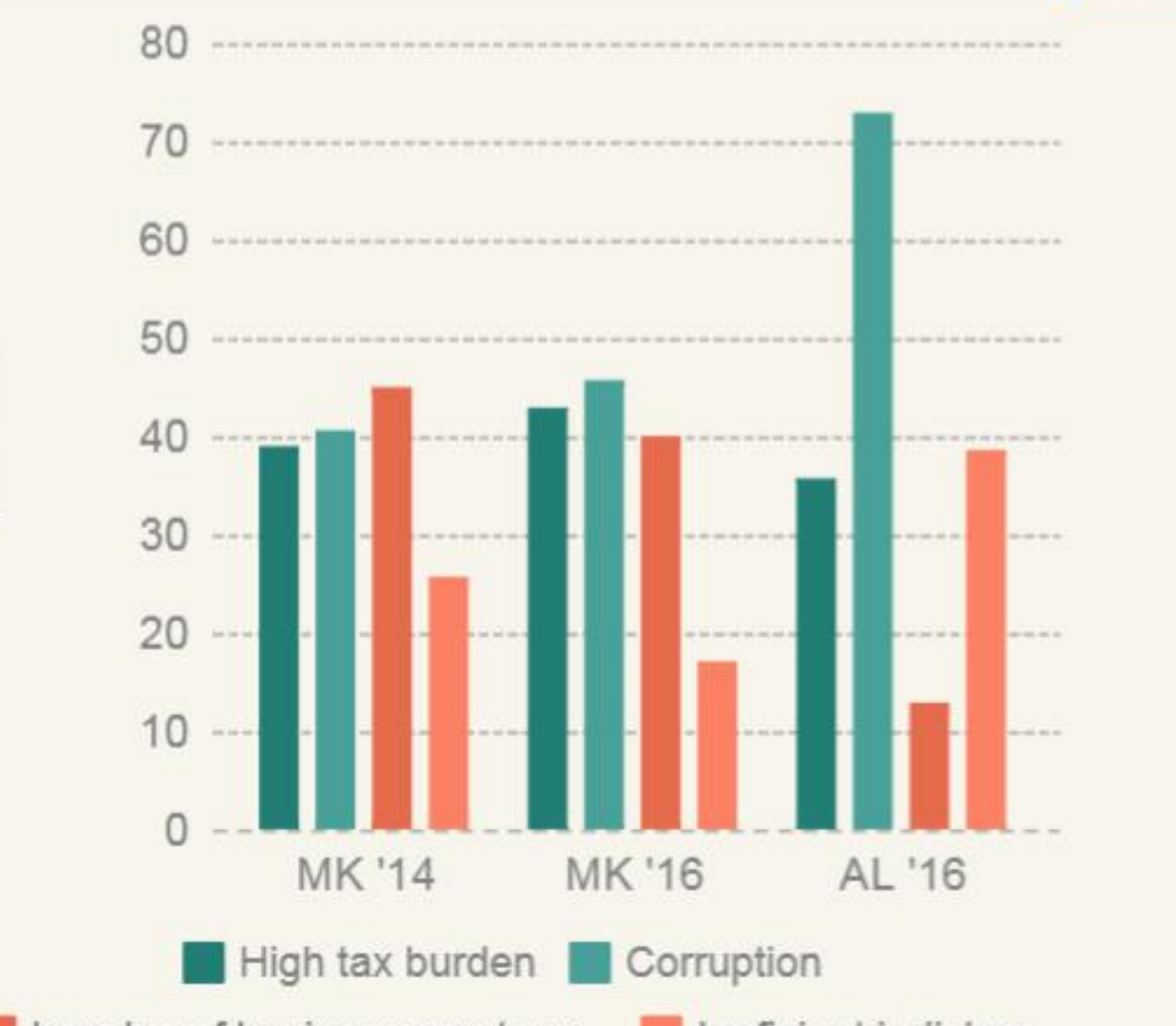
Personal income tax (55.1%)

## Hidden economy factors and measures according to businesses

### Most important factors for the existence of the hidden economy - according to businesses



### Measures for reducing the hidden economy - according to businesses



### Corruption

Corruption is the most important factor for the existence of the hidden economy according to 45.7% of businesses in Macedonia, and 72.9% in Albania.

### Macedonia - Reducing Taxes

54.3% of Macedonian businesses in 2016 see reducing taxes as most necessary for reducing the hidden economy.

### Albania - increasing efficiency of the court system

Likewise, 57.1% of Albanian businesses put their hopes on more effective stimulation for businesses to tackle the hidden economy

## Hidden economy business practices

### How frequently companies tend Not to issue fiscal bills / invoices



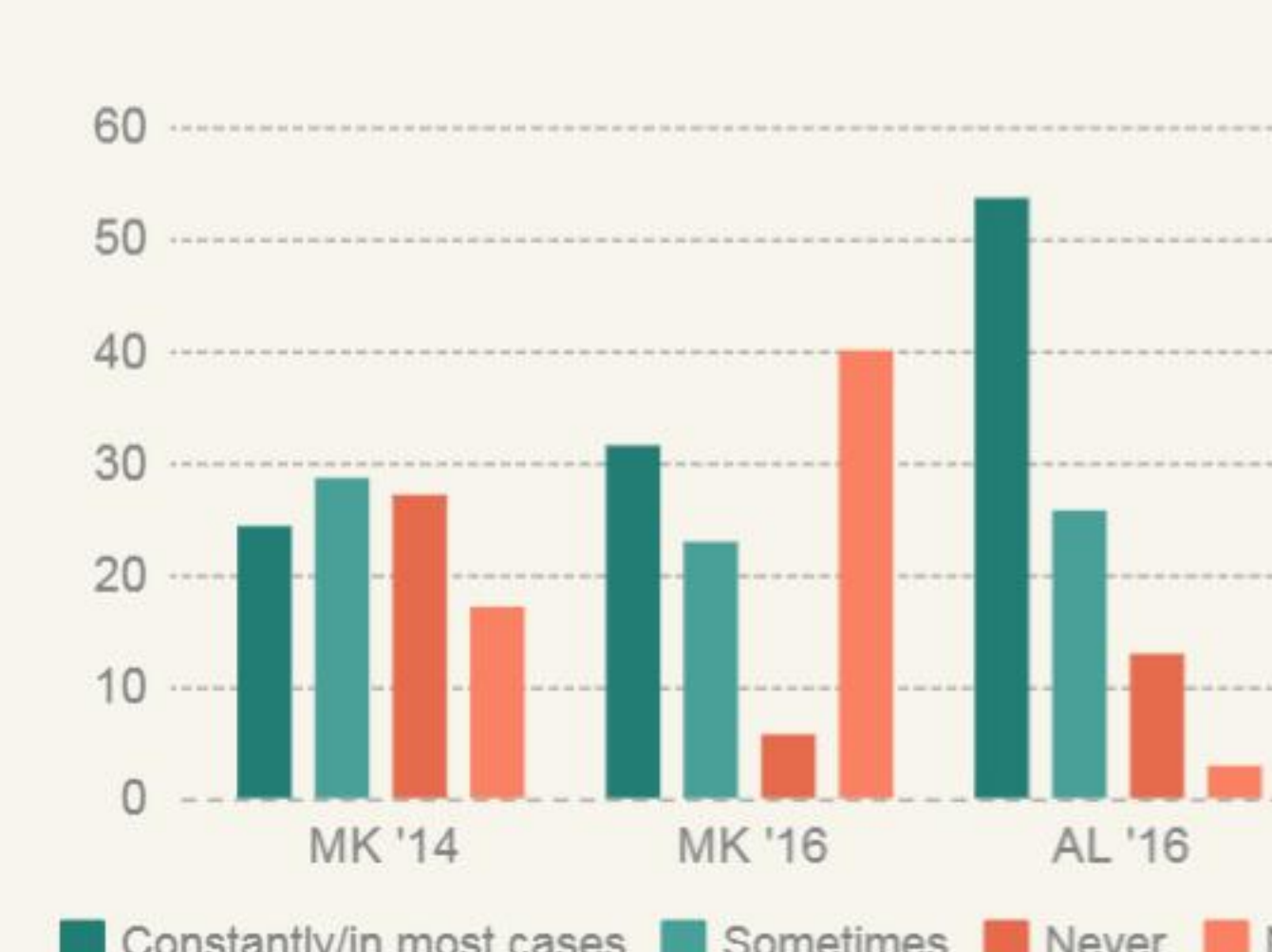
**Macedonia**  
1 in 5 businesses constantly or in most cases does not issue fiscal bills/invoices

37% Have stated this practice never happens in their sector in 2014 compared to 10% in 2016

**Albania**  
2 in 5 businesses constantly or in most cases does not issue fiscal bills/invoices

28% Have stated this practice never happens in their sector in 2016

### How frequently companies tend to report lower revenue than actual



**Macedonia**  
1 in 3 businesses constantly or in most cases reports lower revenue than actual

27.1% Have stated this practice never happens in their sector in 2014 compared to only 5.7% in 2016

**Albania**  
More than 1 in 2 businesses confirm this practice happening in their sector constantly or in most cases reports lower revenue than actual

## Concluding remarks



Corruption is the most important factor for the existence of the hidden economy according to 45.7% of businesses in Macedonia, 72.9% in Albania - hidden economy and followed by inefficient judiciary, high tax burden and impulse of businessmen for quick profit.



The hidden turnover is more significant in Albania where 84.3% of companies confirmed the presence of this practice out of which a large portion (40%) confirmed the practice to be used 'in most cases.'



1/3 of businesses in Macedonia (31.4%) and two thirds in Albania (60%) have confirmed that manipulating with VAT is a common practice. Macedonia sees deterioration in this manner (by 50%) as only 21.6% of businesses have confirmed this practice back in 2014.

## Make sure that:



A) the tax burden remains low enough to maintain steady but increasing rates of revenue, B) develop and maintain stimulating business environment, C) simplify procedures for opening new businesses and formalizing established businesses, and D) use past policy experiences to avoid creating incentives that push businesses and individuals towards tax evasion, fraud, and towards the undeclared economy



Source: The data presented below come from two methodologically identical business surveys, representative regionally and demographically, conducted in October 2014 (on 70 participants) and October 2016 (on 70 participants) in Macedonia and in Albania.

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BTD The Balkan Trust for Democracy  
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